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EFFECTS OF ANTI-TRUST LEGISLATION ON BUSINESS

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The trust problem is comparatively a new one, having only in recent years forced itself upon the community for serious consideration. The legislation framed to deal with corporations is still quite crude, and the best brain of our people must be concentrated on the measures that will be required to regulate the operations of corporate business. For the tendency of our time is clearly in the direction of co-operation and combination. As particles of steel irresistibly fly together under the influence of the magnet, so do men naturally and easily get together nowadays in every common cause whether commercial, political, moral or social. Hence the discussion of the corporation and trust question becomes very important to the community and most particularly to business men.

The main purpose of anti-trust legislation is, no doubt, to restrain attempts at oppressive monopoly. Although in the efforts that have been made to carry out this purpose much harm has been done to the business community, it cannot be denied that the publicity given to the dishonest methods of certain corporations has had a healthy effect in restricting their operations and minimizing their influence. Loose systems of financing great institutions have been exposed and a higher standard of honor has been demanded, which will have a very wholesome effect not only on the corporations that have already been specially attacked, but on all others now in business or about to be formed. Recent revelations under the searching light of publicity have, however, unfortunately tended to cast a suspicion upon all corporations.

Let us try to be fair and entirely unbiased in this discussion. Unless we see absolutely no benefits in trusts let us avoid the use of the phrase "the trust evil," and allude rather to the abuses of trusts which admits of a corresponding phrase—the uses of trusts. Unfortunate misuse of terms has done much to cloud the popular mind and arouse prejudice and evoke legislation adverse to all combinations, many of which are good, instead of centralizing the

opposition on those that are oppressive and harmful. There has always been a discrimination against corporations. It may even be said that a different code of ethics has obtained, on the part of the public, in the general attitude toward corporations as well as on the part of the officers and employes in the use of the corporate funds. It is conceded that there is generally less scrupulous care shown in curbing the expenses of a corporation than there is in a private enterprise of the same character. Referring to the attitude of the public, who will doubt that, for example, many passengers enjoy free rides in "trust" cars, who, in other directions, conscientiously discharge every private obligation. General condemnation of trusts, such as has been brought out in the attempt to enforce the Sherman law, strengthens this tendency of men to assume an easy conscience regarding their obligations to corporations. This is indeed very harmful to the public morals, and particularly to commercial ethics.

Some of the business effects of anti-trust legislation we can already perceive; but in view of the very recent date of the development of drastic anti-trust measures, many of the results cannot yet be accurately computed, being rather speculative at this time. For example, as the court of last resort has not yet passed on the now famous Standard Oil fine, the effect of this action cannot be finally weighed. Business has felt part of the injurious effect, but the future is still problematical. As a general business proposition, however, it is safe for us to say that our most important anti-trust legislation, namely, the Sherman act, has already shown serious ill effects on business. There is no question that greater harm will follow the execution of its provisions in the future unless it is radically amended.

Business is based largely on credit. Credit, in its turn, depends on the spirit of confidence in general financial conditions. Whatever, therefore, injures this confidence, interferes with the free and peaceful dispensation of credit, and to that extent injures business vitally. Fire, flood, earthquake and failure of crop are among the unavoidable causes of financial loss, which must be borne with resignation. But it is not surprising that there is a feeling of indignation among the business men when otherwise avoidable losses are brought on by legislation, which, while seeking to remedy an existing evil, attacks a whole system to the embar-

rassment of large numbers of innocent men and women. This has been the unfortunate operation of the Sherman Anti-Trust Law. Instead of attacking only the evils of the trust it institutes a crusade against all corporations, and as business enterprises are now being carried on more and more by corporations, whatever attacks them necessarily attacks business in general. Instead of leveling its battery against *unreasonable* restraint of trade, the Sherman act attacks all restraint of trade, whether reasonable or not. It certainly cannot be said that all trade agreements are harmful. Yet under the Sherman act all parties making such agreements may be legally proceeded against.

Profit-sharing

There has recently developed in this country an active interest in plans for profit-sharing between capitalist and worker. Large corporations are beginning to give their employees a fair opportunity to become partners in the plant in which they are working, recognizing the fact that loyal efforts of the wage-earners contribute largely to its ultimate success. This tendency should be encouraged as a wise and democratic measure, which is bound to benefit, financially, both labor and capital and at the same time help to curb the spirit of discontent which arises from the seemingly conflicting interest of employer and employee. The sweeping onslaught on large corporations under the operations of general anti-trust legislation shakes confidence in these combinations and thus retards the development of the profit-sharing plan, which, if carried out generally, would help materially toward bringing about ideal relations in the world of labor.

The main ill-effect of anti-trust legislation on business *thus far* has been to retard the growth of the good and useful corporation, while originally intending to aim only at the corrupt or oppressive monopoly. The public has become timid and undiscriminating in view of this general attack, and will not now freely invest money in the stocks and bonds of corporations, even though these corporations be perfectly sound and of great economic value to the community. The result is that their activities have been seriously curtailed, throwing large numbers of men and women out of employment. It follows, of course, that this condition reduces the purchasing power of the people, and to that extent undermines prosperity.

Federal Regulation

The business community is unanimous as to the economy of corporations and combinations. Only when an oppressive monopoly exists is there an injury to the people. General federal regulation and control of corporations, with proper publicity, would prevent such oppressive monopoly. The modern industrial and commercial world is not composed of small circles in our various states, each independent of the other, but, on the contrary, business has so spread between the states of the Union, and the circles of industry are now so interlaced, that a uniform federal incorporation law or similar provision seems as necessary as the federal bankruptcy law, which now secures so much more justice to our business men and spares them the necessity of studying the varying laws of each of the states. It seems wise that those whose duty it would be to take charge of the administration of such an incorporation or registration law should be trained men whose term of service should not be affected by political changes. Professor Taussig, of Harvard University, expressed himself on this subject on October 24th last as follows:

"Careful administration and continuity in administration are called for. The bureau of corporations has made an excellent beginning. Both this bureau and the Interstate Commerce Commission must be completely divorced from partisan politics and must be officered by able, upright and experienced men. The term of service should be irrespective of changes in the presidential office, and the positions should be made dignified and attractive both in salary and in permanence of service."

According to the general consensus of opinion the Sherman Anti-Trust Law should be so amended that with proper registration and publicity, reasonable agreements may legally be made by labor unions, by farmers' organizations and by associations of business men. At present, there is a general uneasiness as to the extent to which such reasonable agreements may be interfered with. Our laws should not be tyrannical or oppressive. Honest enterprise should not be hampered by legislation, nor should the people of a free country have cause to look with fear upon the operations of government, so long as they are doing nothing detrimental to the interests of their neighbors. Unjust laws, the operations of which

men feel it proper to circumvent, cause a loss of respect for law in general. One who breaks an unjust law will more easily be tempted thereafter to break even a just one. Let us make sure, therefore, that our laws are just.

Future Effects

Weighing the immediate effects of anti-trust legislation or procedure on the business of the country, it must fairly be conceded that the havoc wrought by the recent crusade far exceeds the good effects thus far shown. But, looking beyond immediate results, may we not reasonably expect that after business adjusts itself to new conditions, the net result will prove to be good? There will in the future certainly be a sounder basis of calculation of values. The fittest corporations having survived, new confidence will soon be evidenced and be justly merited. There will be more publicity, more stability, more morality. The prejudice against the trust as such will gradually but surely disappear, when the personnel of the management is of the high character that will be rightly expected by the public. The new light that has been thrown on the actions of some of our corporations has revealed situations which have aroused the people to join in a loud cry for higher standards of ethics in large business enterprises. If, as we expect, that cry is heeded, the effects of the present anti-trust legislation on business will in the end be not only of financial value to the community, but still more precious in elevating the ideals of commercial ethics. This change will affect not only the lives of the business men of to-day, but will have a good influence on the thought and conduct of the young generation now growing up and soon to shape the commercial future of our nation.